

Department of Social and Health Services

**DP Code/Title: M2-9F Federal Funding Adjustment**

**Program Level - 060 Economic Services Admin**

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Budget Period: 2003-05    Version: 11    2003-05 Agency Request Budget

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**Recommendation Summary Text:**

This step requests the realignment of federal funding sources assumed in the agency's carry forward level budget.

It also requests revisions to the Division of Developmental Disabilities (DDD) and Economic Services Administration (ESA) previous federal earning assumptions.

**Fiscal Detail:**

**Operating Expenditures**

	<u><b>FY 1</b></u>	<u><b>FY 2</b></u>	<u><b>Total</b></u>
<b>Program 060</b>			
001-1 General Fund - Basic Account-State	2,398,000	2,403,000	4,801,000
001-2 General Fund - Basic Account-Federal	(2,192,000)	(3,096,000)	(5,288,000)
001-A General Fund - Basic Account-DSHS Fam Support/Chi	1,155,000	1,154,000	2,309,000
001-C General Fund - Basic Account-DSHS Medicaid Federa	428,000	2,190,000	2,618,000
001-D General Fund - Basic Account-TANF (DSHS)	21,413,000	22,077,000	43,490,000
001-E General Fund - Basic Account-CCDF (DSHS)	(23,202,000)	(24,728,000)	(47,930,000)
<b>Total Cost</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Staffing**

**Package Description:**

The majority of these federal funding source adjustments are related to approved allotment changes not reflected in the Budget and Allotment Support System's carry forward level budget.

Federal laws and regulations were enacted in 1998 requiring states to operate under a cost allocation method that fully allocates administrative charges to the federal or state program benefiting from each administrative activity. While most of the ESA has made the required adjustments, the Automated Client Eligibility System (ACES) funding base was not under ESA authority at the time the funding shift was completed. Thus, ACES was excluded from original calculations and subsequent funding adjustments.

Under the former Aid to Families with Dependent Children (AFDC) program, the Department of Social and Health Services used the "primary program" cost allocation methodology, allocating some administrative costs to AFDC that actually benefited Food Stamp and Medicaid programs.

The federal Agricultural Research, Extension and Education Reform Act of 1998, Public Law 105-185 and the Department of Health and Human Services Action Transmittal, OGAM AT 98-2, now requires states to use the "benefiting program" methodology for cost allocating staff and operational expenditures. This change from the "primary program" to the "benefiting program" methodology results in a larger share of costs attributed to federal Medicaid, Food Stamp, and state-only funded programs. The Medicaid and Food Stamp programs require the state to match federal funds with 50 percent state dollars.

This proposal requests the ACES funding base be adjusted to reflect this change in cost allocation methodology. There is no net change in the total ACES budget as a result of this request.

**Narrative Justification and Impact Statement**

*How contributes to strategic plan:*

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This proposal supports the department's strategic plan to maintain a safety net for people in need by delivering cash, food, medical benefits, child care, and other services to eligible people quickly and accurately.

***Performance Measure Detail***

**Program: 060**

**Goal: 02F    Maintain safety net for people in need.**

**Incremental Changes**

**FY 1**

**FY 2**

No measures submitted for package

***Reason for change:***

To align budgeted federal funding sources with projected federal earnings.

Under the former AFDC program, deviations from the benefiting program methodology were allowed. However, Temporary Assistance for Needy Families (TANF) regulations do not allow primary program cost allocation. The change to a benefiting program methodology results in additional charges to Medicaid, Food Stamps, and state-only funded programs while reducing charges to TANF and other federal programs.

As stated in OGAM AT 98-2, there is no alternative to this federal requirement and states must provide necessary funds. Office of Financial Management and Budget Circular A-87 requires states to comply with cost allocation rules. Failure to do so would jeopardize federal funding for all ESA programs.

***Impact on clients and services:***

By correcting the ACES funding base, ESA will be able to respond to legislative, federally mandated, or program-critical policy and operation changes in a timely manner.

***Impact on other state programs:***

Programs outside of ESA depend on ACES. These include the Medical Assistance Administration, Children's Administration, Aging and Adult Services Administration and the Division of Alcohol and Substance Abuse.

***Relationship to capital budget:***

None

***Required changes to existing RCW, WAC, contract, or plan:***

None

***Alternatives explored by agency:***

Additional General Fund-State (GF-S) expenditures are a result of changes to federal law and regulation. While there is no net change to the total ACES budget, this change may increase Washington State's Initiative-601 spending limit.

In the 2001-03 Biennium, ACES attempted to operate within its existing funding base. This meant that to stay within the GF-S budgeted amount, federal dollars went unspent because state match was insufficient. To stay within budget, ACES management reduced the number of contract staff, eliminated several initiatives (including AIM 2000 (quality oversight)), and delayed installation of software and hardware needed to increase productivity. From July 2000 through June 2002, budgetary shortfalls have led to an 18 percent reduction in ACES contract staff. As a result, the department now faces a 29 percent increase in ACES-related backlogged problem reports and change requests (Fiscal Year 2002).

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ACES administrators are now in a position in which they will be unable to implement congressionally-mandated program changes in a timely manner. For example, ACES was required to implement Supplemental Security Income, State Supplement Payments changes and eliminate State Family Assistance Medicaid within very short timeframes. To meet those timeframes, ACES has postponed federally-mandated Farm Bill changes. Now, the state must continue to pay federally-eligible legal immigrants from GF-S dollars because the ACES system is incapable of responding to programming changes made prior to the date federal food stamp benefits to legal immigrants with disabilities was restored.

To continue under the current funding base will cause an additional backlog of requests. TANF is up for reauthorization during the 2002 Congressional Session, and all indications are that there will be numerous changes to the program. The anticipated federal changes will require substantive modifications to the ACES system.

***Budget impacts in future biennia:***

Corrections may need to be made each biennia based on actual federal earning for individual federal funding sources.

***Distinction between one-time and ongoing costs:***

All costs are ongoing.

***Effects of non-funding:***

These changes from official carry forward level assumptions are requested to better reflect expected federal earnings.

If this request is not approved, ACES administrators must reduce the budget by \$5 million to meet the state/federal matching requirement. Failure to adequately fund ACES will limit the state's ability to respond timely to legislative, federally mandated, and program-critical changes. Scheduled hardware upgrades will be delayed, reducing the performance and reliance of this mission. Staffing levels may decline to the point that ongoing maintenance, as well as program-critical changes, cannot be supported.

***Expenditure Calculations and Assumptions:***

See attachments - ESA M2-9F Federal Funding Adjustment.xls and AW M2-9F Federal Funding Adjustment.xls

<u>Object Detail</u>	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
<b>Program Totals</b>			

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**DSHS Source Code Detail**

		<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
<b>Program 060</b>				
<b>Fund 001-1, General Fund - Basic Account-State</b>				
<u>Sources</u>	<u>Title</u>			
0011	General Fund State	1,679,000	1,684,000	3,363,000
GFS3	General Fund State CCDF Moe Mandatory	(5,281,000)	(5,281,000)	(10,562,000)
GFS4	General Fund State CCDF Match	6,000,000	6,000,000	12,000,000
<i>Total for Fund 001-1</i>		<b>2,398,000</b>	<b>2,403,000</b>	<b>4,801,000</b>
<b>Fund 001-2, General Fund - Basic Account-Federal</b>				
<u>Sources</u>	<u>Title</u>			
566B	Refugee & Entrant Assist-St Admin'd Prog(D)(100%)	(352,000)	(487,000)	(839,000)
999B	Miscellaneous (100%)	(1,952,000)	(2,632,000)	(4,584,000)
E61L	Food Stamp Program (50%)	112,000	23,000	135,000
<i>Total for Fund 001-2</i>		<b>(2,192,000)</b>	<b>(3,096,000)</b>	<b>(5,288,000)</b>
<b>Fund 001-A, General Fund - Basic Account-DSHS Fam Support/Chi</b>				
<u>Sources</u>	<u>Title</u>			
563I	Title IV-D Child Support Enforcement (A) (66%)	1,155,000	1,154,000	2,309,000
<i>Total for Fund 001-A</i>		<b>1,155,000</b>	<b>1,154,000</b>	<b>2,309,000</b>
<b>Fund 001-C, General Fund - Basic Account-DSHS Medicaid Federa</b>				
<u>Sources</u>	<u>Title</u>			
19TA	Title XIX Assistance (FMAP)	697,678	697,804	1,395,482
19UL	Title XIX Admin (50%)	(269,678)	1,492,196	1,222,518
<i>Total for Fund 001-C</i>		<b>428,000</b>	<b>2,190,000</b>	<b>2,618,000</b>
<b>Fund 001-D, General Fund - Basic Account-TANF (DSHS)</b>				
<u>Sources</u>	<u>Title</u>			
558B	Temp Assist for Needy Families (TANF) (100%)	21,413,000	22,077,000	43,490,000
<i>Total for Fund 001-D</i>		<b>21,413,000</b>	<b>22,077,000</b>	<b>43,490,000</b>
<b>Fund 001-E, General Fund - Basic Account-CCDF (DSHS)</b>				
<u>Sources</u>	<u>Title</u>			
575B	CCDF (Discretionary) (100%)	42,763,000	10,196,000	52,959,000
596A	CCDF Match (FMAP)	14,438,118	18,952,627	33,390,745
596B	CCDF Mandatory (100%)	(80,403,118)	(53,876,627)	(134,279,745)
<i>Total for Fund 001-E</i>		<b>(23,202,000)</b>	<b>(24,728,000)</b>	<b>(47,930,000)</b>
<b>Total Program 060</b>		<b>0</b>	<b>0</b>	<b>0</b>